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Thematic cluster for the implementation cycle 2006-2007**Summary by the Chairman of the Regional
Implementation Forum on Sustainable
Development in Latin America and the Caribbean****Note by the Secretariat****I. Introduction**

1. The Regional Implementation Forum on Sustainable Development in Latin America and the Caribbean, held in Santiago, Chile, on 19 and 20 January 2006, was convened by the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), in fulfilment of the mandate granted by virtue of ECLAC resolution 602 (XXX), in which the Commission agreed to proceed with the inclusion of a regional forum for the implementation of the decisions adopted at the World Summit on Sustainable Development within its framework of activities. The Commission is thereby also carrying out the preparatory process of the Commission on Sustainable Development (CSD) at its fourteenth session, by holding regional meetings in preparation for the global meeting.

2. Seventeen States members of ECLAC participated in the meeting, namely, Antigua and Barbuda, Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Honduras, Jamaica, Mexico, Panama, Peru, Saint Lucia, the United States of America, Uruguay and Venezuela (Bolivarian Republic of). In addition, two States Members of the United Nations that are not members of the Commission — Austria and Malta — were present. The Vice-Chairman for Latin America and the Caribbean of the Bureau of the Commission on Sustainable Development at its fourteenth session also attended.

* E/CN.17/2006/1.



3. For their part, representatives of various bodies, programmes and agencies of the United Nations system and representatives of intergovernmental organizations, such as the Regional Energetic Integration Commission and the European Union, were also present.

4. The participation of key groups and civil society organizations was ensured through the presence of bodies that have consultative status with the Economic and Social Council and other organizations with a special interest in the issues to be discussed at the Forum.

5. The Presiding Officers of the Forum were as follows: Chairman, Mexico; Vice-Chairmen, Brazil, Honduras and Jamaica; and Rapporteur, Colombia.

6. The Forum had before it and adopted the following agenda: 1. Election of presiding officers; 2. Adoption of the agenda; 3. Energy for sustainable development; 4. Industrial development; 5. Air pollution/atmosphere; 6. Climate change; 7. Other matters; and 8. Adoption of agreements.

7. At the end of the meeting and before the presentation of the Rapporteur's report, the delegates and participants gave the Chairman a vote of confidence so that he could prepare, with the support of the ECLAC secretariat, a *Summary by the Chairman of the Regional Implementation Forum on Sustainable Development in Latin America and the Caribbean*, to be submitted to the secretariat of the fourteenth session of the Commission on Sustainable Development as the region's contribution to the global process.

II. Energy for sustainable development: situation in the region, energy efficiency and renewable energies

8. The topic of energy was included as one of the main areas of work at the ninth session of the Commission on Sustainable Development, at which countries agreed that stronger emphasis should be placed on the development, implementation and transfer of cleaner, more efficient technologies and on the need to further develop and expand the role of alternative energy sources.

9. The complex challenge of energy and sustainable development was highlighted at the Rio Summit and is, moreover, widely discussed in Agenda 21, which underscores the fact that current levels of energy consumption and production are not sustainable, especially if demand continues to rise. It also stresses the importance of using energy sources in a way that is consistent with the aims of protecting human health, the atmosphere and the natural environment.

10. Among the agenda items chosen by the Commission on Sustainable Development for its fourteenth and fifteenth sessions, energy is central, since it is closely and clearly associated with the other three items. It is important to recognize the links between the four items and, with regard to energy in particular, to examine both the composition of energy supply and trends in terms of demand, while also identifying and analysing the externalities associated with both.

11. **The major challenges:** Latin America has been unable to decouple the upward trend in energy consumption caused by economic growth.

12. A comparison of the evolution of average energy intensity for Latin America and the Caribbean with that of all the States members of the Organization for Economic Cooperation and Development (OECD) reveals that the OECD countries managed to reduce intensity by 24 per cent from 1980 to 2004, while Latin America has not improved productivity since 1980, recording an accumulated increase of almost 2 per cent.

13. A number of indicators relating to energy for sustainable development show that in Bolivia and Trinidad and Tobago, the robustness indicator is falling. This is widely seen as a result of the increased dependency of those economies on oil exports. In general, there has been a relative improvement in indicators relating to fulfilment of basic requirements and, as a result of urbanization, there has generally been an improvement in electricity supply too. However, energy consumption continues to be plagued by inequalities in most Latin American countries.

14. In Argentina and Mexico, the fossil fuel reserves/production ratio fell.

15. **The consumption pattern followed by Latin America is worryingly polluting:** In Latin America and the Caribbean, CO₂ emissions for 2004 were 75 per cent higher than those recorded in 1980, representing a sustained annual increase of around 2.4 per cent. An emissions curve showing the relation between emissions per unit of output with GDP per capita does not show a clear or well-defined trend: between 1980 and 1990, the trend was negative, albeit with some fluctuations, in that per capita income fell as emissions rose; between 1990 and 1994, there was a clear and sustained shift; and lastly, between 1994 and 2004, emissions fluctuated and increased.

16. **There is still some uncertainty over whether this pattern will change in the intermediate future (2030):** According to various analyses regularly prepared by three institutions,¹ fossil fuels will enjoy a greater share in the future: oil, because it is indispensable for transport, and gas, because it is a cleaner source than coal and has competitive advantages for electricity production.

17. As a possible alternative to ease the investment crisis in the field of electrical energy generation, steps were taken in recent years to define the foundations for a greater integration of electricity and natural gas companies and by harmonizing regulations that encourage investment and, particularly, by ensuring stability in the rules of the game. For that reason, electricity and hydrocarbon companies alike showed an interest in maintaining assets in both activities, moving towards the establishment of global energy companies.

18. There is no doubt that greater integration of electrical and hydrocarbon supply chains could help get around problems relating to investment. However, at the same time, such integration does nothing to change the trend towards a pathway that until now has not proven to be very environmentally friendly.

19. Latin American countries do, however, have a number of comparative advantages, which can be summarized as follows: (a) they make a relatively small contribution to total greenhouse gas emissions compared to other regions of the

¹ International Energy Agency, *World Energy Outlook (2002 and 2004)*; United States Department of Energy, *International Energy Outlook (2004)*; and the European Commission's Directorate-General for Energy and Transport, *World Energy. Technology and Climate Policy Outlook 2030* (a report known by the acronym WETO).

world; (b) they are potentially a net provider of global environmental services, in terms of marketing atmospheric CO₂ capture projects to those nations facing high mitigation costs; (c) they have an opportunity to improve the current trend concerning regional energy intensity through policies that promote advances in energy efficiency; and (d) they have an opportunity to improve energy supply diversification.

1. Renewable energies

20. The share of renewable energy sources in the energy matrix of Latin America and the Caribbean has fallen by 1 per cent. Only a few countries in the region show improvement, most importantly Brazil, Costa Rica, the Dominican Republic, Guyana, Nicaragua and Paraguay. The main reason for this stagnation is that not enough has been done to overcome the obstacles to renewable energies (whether they be economic, regulatory, technical, institutional, financial or other obstacles). ECLAC has therefore identified four key areas on which countries should concentrate their support measures in this regard: greater emphasis on hydro-energy; the introduction of renewable energies in rural communities; the rational use of firewood; and the efficient integration of biofuels to energy markets.

21. Major sectors in the economies of Caribbean countries like tourism should consider increasing the use of renewable energy, for instance solar energy, in their activities. Some countries of the subregion use this type of energy, although the process is at an experimental stage, and energy efficiency and variations in access have been a matter of ongoing interest.

22. For its part, the Brazilian sugar cane industry is supplying energy and in the future may be able to supply renewable materials, such as plastics and chemicals. Its growing share in the energy matrix has reached 13 per cent. The use of ethanol as fuel for vehicles began in the 1970s, and today over 2.5 million cars run on ethanol. All the gasoline sold in the country's service stations is mixed with ethanol, with no need to adapt car motors. The Brazilian experience with clean fuels could help significantly in demonstrating that ethanol is a real possibility to supply a large part of the world market, since it is a reliable product.

23. Some concerns affect initiatives to promote the use of these products as automobile fuel, with regard to how their prices vary according to the market and are not regulated by the Government.

24. Some best practices in the promotion of renewable energies are given in Brazilian Act. No. 10.438, PROINFA (Programme of Incentives for Alternative Sources of Electrical Energy), which establishes incentives for renewable alternatives (wind, biomass, minihydraulics) and sets a goal of 10 per cent of the Brazilian energy matrix to come from these sources by 2020. Another successful initiative has been the wind energy plan in Jamaica, with the installation of a 20 MW plant partially financed by the sale of carbon credits. Other best practices to be highlighted are El Salvador's experience with geothermal energy (over 100 MW is now generated from that source) and the "Proalcohol" programme for the promotion of bioethanol from sugar cane in Brazil. In all these cases, State intervention — both in terms of political decision-making/strategy and financing with up-front capital, has been essential; and in all cases, private industry has later become involved to develop and perfect the business in public-private form.

25. With the objective of increasing the proportion of renewable energies in the energy matrices of the countries of Latin America and the Caribbean, the Governments of the region face the following challenges: (a) strengthen the State's role as facilitator by promoting the inclusion of the Millennium Targets in national policies; (b) use price mechanisms to internalize the benefits of renewables (socio-environmental and strategic); (c) consolidate a renewable-energy diplomacy by revitalizing international cooperation in that area; (d) take full and effective advantage of the global emissions market for carbon credits; (e) design creative financing schemes and make a commitment to regional financing bodies; (f) explore the role of renewable energy in the integration and development focal points (the Initiative for the Integration of the South American Regional Infrastructure and the Puebla-Panama Plan).

26. In thematic terms, four major areas can be identified in which countries should focus their analytical and proactive efforts: the need to place a renewed environmental and social value on hydroenergy; the incorporation of renewable energies for the integral development of rural communities; the sustainable and rational use of wood; and the efficient integration of biofuels in national energy markets.

27. Finally, it is important to highlight the relationship between energy and the Millennium Development Goals, since there is a clear linkage between poverty reduction and access to energy, which also applies to the goals regarding health, education and gender equality. One characteristic of the region seems to be that energy supply has greater priority than electrification and that a sectoral focus has been a barrier. Furthermore, energy planning should take into consideration the socio-economic realities of such vulnerable groups as women, on the understanding that there are links between gender, energy and development. The gender perspective must be part of the evaluation matrix. Women have a significant role to play in the creation of sustainable energy consumption and production models and in mitigation of climate change. The goal of gender equity should be present at all stages of environmental planning, as it is fundamental to the fulfilment of all the Millennium Development Goals.

2. Areas of opportunity

28. With regard to sustainable pricing of energy products, standardized regional indexes could be developed to reflect the toxicity of fuels in their prices. Such indexes could serve as a basis for energy and taxation policies in order gradually to modify the use of fuels.

29. The region should attempt to reduce vulnerability to fluctuations in price and supply of energy products and should seek to increase its energy independence by increasing the use of renewable energy, expanding its coverage for social development purposes and generally improving energy efficiency in all sectors of the economy. It is essential to take measures in the areas of transport and industry and to introduce incentives for small and medium-sized businesses to use more efficient technology. The right to energy efficiency should be incorporated into public policy as an economic right of citizens, and such policies should consider new sources of energy and the management of externalities, since the market system has turned out to be unable to solve the problem of efficient use.

30. Progress is needed in the definition and analysis of alternative macroeconomic scenarios, taking into account the relationships between energy integration, promotion of renewable energy and energy efficiency, with the aim of achieving true integration of the theme of the environment in the economic agenda. An essential element in order to achieve this is to see this change as an opportunity and not as a restriction on economic development. Therefore a long-term vision must be generated with gradual changes in the patterns of energy generation and use, to enable such economic achievements as improvements in productivity and penetration of new export markets.

31. In general, prices of basic energy products do not consider externalities, and in order to reach the targets of the Kyoto Protocol, sustainable pricing must be established incorporating these externalities. Therefore it is necessary to continue the dialogue on integration of the hemisphere, in order to include the rational use of energy and the promotion of renewable sources in cooperation systems.

III. Industrial development

32. A comparative analysis of the countries of the region allows two development strategies to be identified based on the relationship of patterns of international specialization and growth models; one based on seeking revenue derived from knowledge and the other on revenue derived from abundant factors, for example natural resources.

33. The Latin American countries have mainly followed the second type of strategy, with uneven results in terms of growth and distribution of income in the long term with respect to those economies which have pursued the first type of strategy.

34. Latin American economies suffer a marked delay with respect to developed and developing economies both in participation of the sectors for dissemination of knowledge in industrial added value and in the development of productivity levels and in relation to technology efforts carried out. Although in some cases high growth rates have been achieved, they do not translate into a transition towards a more distinct role for knowledge as a comparative advantage.

35. Alongside the structural weaknesses noted, there is a human and productive base that can respond to adequate stimulus. The countries of the Southern Cone have shown a great capacity for recovery, while in others there are dynamic export sectors which could be more closely integrated with the rest of the economy. At the same time, despite crises, the political systems have preserved their democratic institutions, offering a way to seek consensus around a growth strategy with structural change.

36. The existence of abundant factors such as natural resources or inexpensive labour may be able to sustain high rates of growth for a certain period of time, without there being any need to make a major investment in knowledge, but this availability of resources, in and of itself, is not sufficient. On the one hand, if growth based on abundant factors does not promote structural change and increases in productivity throughout the economy, the result will be undesirable situations of distributive inequality, poor quality of jobs and structural heterogeneity. On the

other, growth in such cases is highly vulnerable to changes in the international economy and in patterns of demand.

37. Empirical evidence and international experience indicate that for convergence to take place, over the long term economies have to be capable of transforming their productive structure. Within such a transformation, which is not a spontaneous occurrence but rather the product of a development strategy, the sectors which disseminate knowledge have to play an increasingly significant part in industry. The slipstreaming effects of such sectors, their virtuous relationship with investment in technology and with external competitiveness, are necessary in order to combine rapid growth in productivity with high rates of employment in the economy, thereby reducing structural heterogeneity.

38. **Industrial development and sustainability — lessons learned:** the research carried out by ECLAC in four countries (Argentina, Colombia, Chile and Mexico) has confirmed the importance of the sector of small- and medium-sized enterprises (SMEs) to countries' development, and the contributions that they make in the economic, social and labour spheres. However, insufficient consideration has been given to the areas of technology, the environment and funding. The problem of the sector is therefore clearly a problem of sustainability in the widest sense. The policies and instruments that are preferably utilized in order to make progress in this sector have had the drawback of being, from this point of view, only partial since they have tackled each aspect of sustainability separately, thereby preventing them from reinforcing one another in bringing about comprehensive progress.

39. The principal obstacles arise from the fact that there is not a genuine environmental policy for the SMEs (and microenterprise) sector, one taking into account the economic and social determinants affecting the subsector. Regulations have been implemented which treat the industrial sector as a homogeneous whole, not allowing for the specific nature of the SMEs with regard to their particular productive structure. The latter's response was consequently one of refusal to comply with the environmental regulations, which caused them to fall short in their contribution to sustainability, led to a failure to seize the opportunities offered by the environmental sector itself for general innovation and new business, and worsened even further the already poor relationship between the SMEs (and microenterprises) and their local environment.

40. The principal achievements are associated with cleaner production programmes, which many countries have adopted to drive forward sustainable development in industry. Such programmes have shown themselves to be an effective mechanism to commit this sector to a strategy of environmental protection. In particular, note should be taken of the preventive approach implicit in countries greater readiness to adopt cleaner production programmes, which provides an opportunity for modernization of the sector, through giving preference to ecologically efficient technologies and processes rather than opting for end-of-pipe remedial solutions. So far, this approach has not been widely applied in the SMEs sectors, but given the deficiencies in public policy, it may be asserted that the most important achievements do come from the private industrial sector. Notably, important progress has been seen in the development of strategies of joining forces between large companies and SMEs in order to move ahead in areas such as certification and supplier policy. Similarly, the efforts to encourage social and

environmental responsibility in firms have been promoted by trade-union organizations, with beneficial effects among those involved.

41. **Regional priorities that might be identified and challenges:** regional priorities should be concentrated on tracking more closely the advances that the business sector is making, paying very close attention to market dynamics, in order to found public policy on a basis of reality rather than on grandiloquent schemes, which very often result in a waste of effort and resources. Thus, widely accepted business paradigms such as ecological efficiency, social responsibility of firms and cleaner production should be promoted, since these are still found only to a very limited extent in the region. On the other hand, the region should make an effort to promote public policies marked by decentralization, which will allow for a wider scope of action at the local level, where there are real opportunities for achieving progress in sustainable industrial development, first and foremost for SMEs and microenterprises.

IV. Air pollution

42. Recent studies at the regional level into the effects on human health of the deterioration in air quality in Latin America and the Caribbean confirm that in those towns where concentrations of particulates and other pollutants exceed the stipulated levels, morbidity and mortality rates have increased, particularly among the vulnerable population, which principally comprises older people and infants. Illnesses among adults translate into millions of working days lost. Monitoring of the emissions involved in indoor exposure reveals an exposure level comparable to that outdoors, with a greater harmful effect on the population owing to the length of exposure.

43. Increasingly, the greatest level of blame has to be attached to the transport sector, which is characterized by very old vehicles, high sulphur content in the fuel, inadequate servicing, a lack of environmental regulations and massive and growing use of private transportation. The industrial sector's responsibility for the problems is concentrated in a limited number of industries associated with thermal electricity generation. In many towns, there is a need to deal with emissions from the burning of large tracts of agricultural land and the growing use of wood or biomass as fuel. Analysing the responsibility for the emissions makes it possible to devise criteria for prioritizing actions aimed at reducing them.

44. The region has seen a rapid convergence in systematic tracking of concentrations of regulated pollutants (ozone, nitrogen dioxide, sulphur dioxide, particulates, carbon monoxide and lead), although with a wide variety of monitoring methods and a notable weakness in ensuring the quality of the information gathered and in ascertaining the exposure's health impacts on the population. The observable trends are downwards, especially for particulates and, to a lesser extent, ozone, but the stipulated levels are frequently exceeded. In the case of the Caribbean, preliminary information indicates worrying concentration levels for pollutants, especially with regard to exposure on a local scale (around certain industrial activities and in direct exposure to emissions from vehicular traffic).

45. With respect to the establishment of specific measures to control air pollution, the Pan-American Health Organization has drawn attention to the need to take into

account the impact on the health of the population, both in prioritizing and selecting measures.

46. It can be seen that there are lines of action of a systematic nature that should be followed to tackle the issue of air pollution in the principal towns in our region:

(a) An increasing level of regulation throughout the region of emissions from industrial sources and from vehicles in general;

(b) Consolidation of experience gained from pollution-control plans from the 1980s and 1990s and establishment of contingency plans to handle crisis situations, involving restrictions on operations at the sources with the greatest levels of emissions (São Paulo, Santiago, Chile, and Mexico City);

(c) Specific air-quality management plans, national air-quality policies, environmental management policies and environmental sanitation plans, one of whose aspects is the quality of the atmosphere (particularly in Central America).

47. Other supporting actions, undertaken in concert, can assist with the measures being taken in this region:

(a) Simultaneous design and implementation of plans for optimizing public transport systems, as was done in Bogotá and Santiago with the TransMilenio and Transantiago bus systems respectively, in São Paulo, Brazil, and in Quito;

(b) Integration of urban planning and transport planning with environmental policy (agreement between public and private bodies to improve air quality by integrating urban and transport planning with environmental policy for 2003-2006 in San José).

48. Some of the challenges still to be dealt with in the region involve:

(a) Reduction of excessive pollutant levels in towns by way of wider distribution of air-management and air-cleaning plans which prioritize the measures to be taken from the point of view of the greatest benefit to the health of the population. More widespread preparation of emission inventories together with a physical and chemical description of particulates will make it possible to prioritize the various mitigation or prevention measures;

(b) Tackling emissions from the burning of large tracts of agricultural land and from the growing use of wood or biomass in general as fuel,

(c) Enhancing regulation of the industrial sector, which currently suffers from a marked absence of environmental regulations;

(d) Greater technological innovation in the area of reducing pollution from fixed and mobile sources, and also in the area of technological requirements for thermal systems for heating, washing and cooking; and improvement of the thermal efficiency aspects in housing construction.

49. Among the bottlenecks to be tackled, certain problems may be highlighted:

(a) Limitations on the processes of decentralization of functions, integration of different policies and sectoral coordination;

(b) The difficulty in local-level implementation of instruments decided upon at other institutional levels (national and/or metropolitan plans);

(c) Financial restrictions on the taking of decisions concerning investments in pollution-reduction plans.

V. Climate change

50. The Latin American and Caribbean region is a key indicator of global biodiversity, as 40 per cent of the world's known species are found in that area. The Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, Mexico and Peru are considered by the United Nations Environment Programme (UNEP) to be highly diverse.

51. The region also has an abundance of natural resources as well as one of the world's main forest reserves. The Food and Agriculture Organization of the United Nations (FAO) estimates that approximately 47 per cent of the territory is composed of forests or jungles, which is higher than the world average.

52. Latin America and the Caribbean cover 15 per cent of the Earth's land surface. The region receives 29 per cent of global precipitation and possesses one third of the world's freshwater resources. However, the irregular distribution of water in the region affects its availability.

53. Latin America and the Caribbean produced 7 per cent of global greenhouse gas emissions in 2000, and the figure is expected to climb to 9 per cent in 2050.²

54. The Latin American and Caribbean region produces 4.3 per cent of global carbon dioxide emissions from industrial processes and 48.3 per cent of emissions caused by land-use changes. They produce 9.3 per cent of global methane emissions generated by human activity.³

55. Seventy per cent of the greenhouse gas emissions in Latin America and the Caribbean are produced by Argentina, the Bolivarian Republic of Venezuela, Brazil and Mexico.⁴

56. The impact of climate change can be reflected in:

- (a) Loss of biodiversity;
- (b) An increase in the intensity and frequency of hurricanes;
- (c) Changes in precipitation patterns;
- (d) An increase in the flow of rivers;
- (e) Glacier changes and recessions;
- (f) Decreased availability of water resources.

57. The majority of countries in the region have established an institutional infrastructure to support participation in the clean development mechanism (CDM-designated national authorities).

² Share of Global Emissions. Common POLES IMAGE baseline data, 2000.

³ Climate Change in Latin America and the Caribbean. United Nations Environment Programme, 2004.

⁴ Climate Change in Latin America and the Caribbean. United Nations Environment Programme, 2004.

58. In many countries, executive agencies have been set up to promote the development of projects for the reduction of greenhouse gas emissions among local and foreign investors. These agencies, which are generally attached to ministries of the environment, have consolidated information programmes on the opportunities available for participation in the clean development mechanism (CDM), the training and support of potential project initiators through boards of trade, and the facilitation of operational arrangements such as financing, and the certification and monitoring of CDM projects with respect to the official bodies of the United Nations Framework Convention on Climate Change.

59. This institutional infrastructure for promoting the region's active participation in the international carbon market has developed in different ways from country to country. While some have well-established programmes (for example, Brazil, Colombia, Costa Rica and several other Central American countries), others are just beginning to set them up and would benefit from horizontal cooperation within the region with those countries that have already acquired several years of experience.

60. The designated national authorities and their programmes for facilitating the creation of projects in each country have set up an informal network which meets regularly under the auspices of the Andean Development Corporation to discuss technical issues. They have a common regional platform for presenting the consolidated positions of Latin America and the Caribbean to the official bodies of the Conference of the Parties to the Framework Convention that are linked to CDM (such as the CDM Methodology Panel), with proposals for streamlining the validation of common regional projects.

61. The discussion forums on technical issues and policies held by the national authorities responsible for the Convention and national participation in CDM are especially timely, as the commitment period 2008 to 2012 of the Kyoto Protocol is approaching and there is an increased demand for CDM projects in the region, particularly on the part of the European Union countries.

62. The establishment of regional or subregional forums at a higher political level has not proceeded on a par with the technical networks of the designated national authorities referred to. The fact that this topic is not a political priority for the ministries of economy and planning and other high-level political authorities in the region weakens their position vis-à-vis the outreach by the Governments of countries in Annex B of the Protocol (Japan, the European Union), which are the investors for the first commitment period and would like to see greater participation, commitment and credibility on the part of Latin American and Caribbean Governments as active and reliable bidders of projects to cover their needs in accordance with the Kyoto targets for 2008-2012.

63. With respect to obstacles, there is an international consensus that the current CDM rules limit the size and number of the projects that our region and the rest of the developing world can offer on the international carbon market.

64. This subject of negotiation will probably influence the international regime on climate change in the post-Kyoto period. Within this perspective, the region can benefit, in the short and medium term at the forthcoming Conferences of the Parties, if it is able to reach consensus on joint negotiation positions in order to change the rules in its favour and overcome the recognized obstacles, such as:

(a) Simplification of the rules governing the requirements for certifying the additionality of projects and the definition of related baselines;

(b) Provision of increased resources to improve the operation of the Executive Board, which governs CDM and gives final and official approval to CDM projects;

(c) Improved funding options and conditions in general for initiators of CDM projects in developing countries.

65. The regional priorities and challenges in this area are as follows:

(a) The establishment of a regular regional forum for reflection with the participation of ministries of energy and planning and trade associations and representatives from energy-intensive industrial sectors with high greenhouse gas emissions in which CDM projects could easily be developed (for example, power generation, transport, residential and industrial power consumption, and the electricity, cement, mining and iron and steel sectors);

(b) In terms of technical issues, the region must strengthen the capacity of its negotiators and ministries of foreign affairs with respect to all technical aspects that are subject to negotiation, including the modelling of policy options and scenarios regarding different rules, and the improvement of capacity analysis, training and technical assistance in research centres, universities and relevant regional and international bodies;

(c) Increased regional participation in scientific bodies such as the Intergovernmental Panel on Climate Change, the Inter American Institute for Global Change Research and the Subsidiary Body for Scientific and Technological Advice of the United Nations Framework Convention on Climate Change;

(d) From the financial point of view, there is also need for increased financing and insurance tailored for CDM projects and their specific characteristics. To date, the gap has been filled by multilateral banks and a few regional development finance institutions. The present challenge is to innovate and expand appropriate financing in order to reap all the possible benefits of our countries' active participation in CDM;

(e) With respect to medium-term strategy, the challenge for the region is still to find ways to compete with Asian countries (for example, China and India) on the international carbon market. The Latin American and Caribbean region clearly has comparative advantages with regard to carbon sequestration projects, especially in the areas of land use, land-use change and forestry, which are still under negotiation within the Framework Convention on Climate Change. The region would benefit if it adopted common policies and influenced the post-Kyoto regime in its favour by capitalizing on opportunities relating to its agricultural potential and its forest resources, which are of global importance.

66. It will be equally important for the region to promote the inclusion of countrywide projects in CDM, including ones that could incorporate its large cities. These cities offer excellent opportunities for technological leaps forward towards economies with low greenhouse gas emissions, through public-policy interventions, the rapid introduction of clean technology in transport, and energy efficiency (for example, residential and industrial), which could be incorporated into plans for public investment in infrastructure. This additional clean technology component

could be financed through the second-generation clean development mechanisms (post-Kyoto).

67. For all these reasons, it is clear that the countries of the region would do well to continue strengthening their national and collective capacities to develop their own policy strategies regarding the international regime on climate change and to participate as influential and proactive actors in future negotiations, under the United Nations Framework Convention on Climate Change.